

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 02714 221214Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 DODE-00 /087 W

----- 030070

R 211244Z AUG 75 ZDK  
FM AMEMBASSY BUDAPEST  
TO SECSTATE WASHDC 4001  
INFO AMEMBASSY BELGRADE  
AMEMBASSY BUCHAREST  
AMEMBASSY MOSKOW  
AMEMBASSY PRAGUE  
AMEMBASSY SOFIA  
AMEMBASSY VIENNA  
AMEMBASSY WARSAW  
US MISSION NATO 655

LIMITED OFFICIAL USE BUDAPEST 2714

E.O. 11652: NA

TAGS: EALR, ECON, HU

SUBJECT: SIX-MONTH ECONOMIC RESULTS: HALF-BILLION  
DOLLAR TRADE DEFICIT AND CONSUMER IMPORT  
RESTRICTIONS

REFS: (A) BUDAPEST 1966

(B) BUDAPEST 1762

(C) BUDAPEST 1419

SUMMARY: GOVERNMENT AUGUST 14 REPORTED GENERALLY FAVORABLE  
ECONOMIC RESULTS FOR FIRST SIX MONTHS, BUT AS EXPECTED THERE  
WAS A SUBSTANTIAL TRADE DEFICIT BOTH IN HARD CURRENCY (\$60  
MILLION DOLLARS) AND IN RUBLES (140 MILLION RUBLES). AS  
PREDICTED (REFTELS) RESTRICTIONS WERE PLACED ON IMPORT OF  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 02714 221214Z

LUXURY CONSUMER GOODS FROM WEST. TOP-OF-THE-LINE ITEMS

PLUS SOME LIQUORS AND CIGARETTES RESTRICTED. NET EFFECT WILL BE SMALL FOR MOST HUNGARIANS AND US EXPORTERS. END SUMMARY

1. ACCORDING TO OFFICIAL STATISTICS, TOTAL EXPORTS ROSE 10 PERCENT, IMPORTS 32 PERCENT. ABOUT 73 PERCENT OF RUBLE DEFICIT--103 MILLION RUBLES--IS RESULT OF CRUDE OIL IMPORTS FROM SOVIET UNION (2.8 MILLION TONS AT 37 RUBLES PER TON). IMPORTS FROM WEST SLOWED IN SECOND QUARTER AND TOTAL RISE IN FIRST SIX MONTHS HELD TO ABOUT 16 PERCENT. TOTAL LOSS, HOWEVER, VERY LARGE FOR HUNGARY: 560 MILLION DOLLARS, VERSUS 1974 WHOLE-YEAR DEFICIT OF 700 MILLION DOLLARS. PRICES OF LEADING IMPORTS--CRUDE OIL, ROLLED STEEL, FERTILIZER, SUGAR--WERE UP 80 PERCENT. USING CURRENT PRICES, ABOUT 13 PERCENT OF HARD CURRENCY DEFICIT (71 MILLION DOLLARS) ACCOUNTED FOR BY CRUDE OIL IMPORTS OF 850 THOUSAND TONS, IF FIGURED AT 84 DOLLARS PER TON. EXPORTS TO WEST DECLINED 5.5 PERCENT.

2. INDUSTRIAL PRODUCTION ROSE 6 PERCENT, BUILDING 7 PERCENT. HUNGARIAN NEWS AGENCY (MTI) RELEASE OF GOVERNMENT FIGURES ADMITTED BUILDING INCREASE INADEQUATE FOR DEMAND. CONSUMER INCOME INCREASED 11.5 PERCENT, WHILE STATISTICS CLAIM COST OF LIVING INDEX INCREASED 3.5 PERCENT. THIS EVIDENTLY BASED ON PRICE-CONTROLLED GOODS AND WOULD ONLY APPLY TO HUNGARIANS AT VERY BOTTOM OF INCOME SCALE: FURTHERMORE, THIS INCREASE DOES NOT REFLECT AUGUST 4 PRICE RISES.

3. DEP MIN INTERNAL TRADE ZOLTAN JUHAR ANNOUNCED AUGUST 13 FURTHER RESTRICTIONS ON IMPORT OF CONSUMER GOODS FROM WEST, WHICH ACCOUNT FOR 40 PERCENT OF TOTAL CONSUMER GOODS IMPORTED. ONLY RETAIL ENTERPRISES WHICH ARE MEMBER LARGE CENTRUM CHAIN WILL BE PERMITTED TO IMPORT CONSUMER GOODS FOR DOLLARS. THIS WILL NOT CHANGE CURRENT SITUATION DRASTICALLY SINCE MOST CONSUMER GOODS NOW IMPORTED BY FTO'S OR MEMBERS CENTRUM COMPLEX.

4. PRIMARILY HIGH VISIBILITY ITEMS AFFECTED--VERY EXPENSIVE WATCHES AND TAPE RECORDERS PROHIBITED FOR LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 02714 221214Z

REMAINDER OF 1975, LIQUOR CHOICES CUT FROM 62 TO 28, CIGARETTE BRANDS FROM 34 TO 13. INDIRECT CONTROLS (I.E., OUTRAGEOUS EXCHANGE RATES FOR SOME ITEMS AND FIRMS) WILL PROBABLY CONTINUE TO BE MORE IMPORTANT RESTRICTING FACTOR. JUHAR STATES HUNGARY IS SEEKING TO IMPORT MORE SUCH ITEMS FROM ITS SOCIALIST BRETHREN, BUT COMPLAINED THAT SUPPLY INADEQUATE.

5. HUNGARIAN LEADERS HAVE WARNED OF DETERIORATING SITUATION AND POOR RESULTS EXPECTED. OFFICIALS HAVE EXPRESSED HOPE THAT WORST IS OVER IN TERMS OF ENERGY AND OTHER IMPORT PRICE INCREASES AND THAT SECOND HALF-YEAR WILL BE BETTER. EVEN SO, POSSIBLE ANNUAL DEFICIT OF OVER 900 MILLION DOLLARS, COMBINED WITH UNUSUAL RUBLE DEFICIT, LESSEN HUNGARY'S FLEXIBILITY IN ITS ECONOMIC DEALINGS WITH WEST.

6. IN RECENT INTERVIEW FOREIGN TRADE MIN BIRO EMPHASIZED THAT: (A) RAPID EXPANSION OF MANUFACTURING ENTERPRISES ABLE TO EXPORT FOR HARD CURRENCY IS PRESSING GOAL; (B) A GRADUAL SHIFT IN PRICE-INCREASE EFFECTS FROM STATE SUBSIDIES TO PRODUCER PRICES WILL BE NECESSARY; (C) HALT IN INVENTORY GROWTH REQUIRED; (D) RATIONAL CONTROL OF IMPORTS IS NECESSARY TO SERVE ABOVE GOALS.

7. RESTRUCTURING OF ECONOMY MENTIONED IN PRECEDING PARAGRAPH, IF IMPLEMENTED, WILL BE AT EXPENSE OF RAPID GROWTH IN CONSUMER INCOME EXPERIENCED IN HUNGARY IN RECENT YEARS. COUPLED WITH LARGE TRADE DEFICITS--AND LIMITS TO WHICH THESE CAN BE FINANCED BY EXTERNAL BORROWING--AND RECENT CONSUMER PRICE INCREASES, IT IS OBVIOUS THAT THE SITUATION IS GOING TO BECOME WORSE BEFORE IT GETS BETTER.

MCAULIFFE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, TRADE BALANCE, IMPORT CONTROLS, TRADE DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BUDAPE02714  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750291-0178  
**From:** BUDAPEST  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750828/aaaaayjv.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 BUDAPEST 1966  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 APR 2003 by Izenbel0>; APPROVED <24 SEP 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SIX-MONTH ECONOMIC RESULTS: HALF-BILLION DOLLAR TRADE DEFICIT AND CONSUMER IMPORT  
**TAGS:** EALR, ECON, HU  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006